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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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In the Matter of)
)
Amendment of the Part 69 Allocation) CC Docket No. 92-222
of General Support Facility Costs)

**COMMENTS OF
THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY**

The Southern New England Telephone Company (SNET) respectfully submits the following comments in response to the Commission's Notice of Proposed Rulemaking in this proceeding.¹

SNET supports the Commission's proposal to revise the Part 69 rules to eliminate the over-allocation of General Support Facilities (GSF) costs to special access. Local exchange carriers (LECs) must be able to adjust rates under the Commission's price cap rules to recognize the cost shifts concurrently with the implementation of expanded interconnection.

I. INTRODUCTION

SNET currently apportions GSF investment among categories based on investment in central office equipment, information origination/termination equipment, and cable and wire facilities, excluding Category 1.3 plant pursuant to the Rules of the Federal Communications Commission (FCC).² As the Commission notes, the effect of excluding Category 1.3 plant is to under-

¹ Expanded Interconnection with Local Telephone Company Facilities, CC Docket No. 91-141, Report and Order, Amendment of the Part 69 Allocation of General Support Facility Costs, CC Docket No. 92-222, released October 19, 1992, FCC 92-440. (NPRM)

² 47 C.F.R. Section 69.307.

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allocate GSF investment to the common line category and over-allocate to other access categories, including special access and transport.³

The Commission has concluded in its Report and Order "that all market participants should contribute to regulatorily mandated support flows reflected in the LECs' rates for services subject to competition."⁴ The Commission has identified the over-allocation of GSF costs to special access as the only significant non-cost based support flow imposed by regulations for special access services.⁵ The Commission is proposing in its NPRM to revise its Part 69 rules to eliminate the over-allocation of GSF costs to special access by eliminating the Category 1.3 exclusion from the Part 69 rules, Section 69.307.

II. **SNET SUPPORTS THE COMMISSION'S PROPOSAL AND URGES THAT THE RULES SHOULD BE REVISED EXPEDITIOUSLY**

SNET urges the Commission to order implementation of the GSF cost reallocation coincident with the introduction of expanded interconnection. Subsidies included in LECs' services cannot be sustained in an increasingly competitive environment. As LECs attempt to respond to the Commission's initiatives in promoting more competition, it is critical for their rates to be unburdened by social subsidies not found in competitors' prices. It is also critical that rates be allowed to cover underlying costs to the extent that market conditions support such rates. SNET recommends that GSF expenses

³ NPRM, para. 267.

⁴ Report and Order, para. 143.

⁵ Report and Order, para. 147.

be reallocated from Special Access and into the Common Line category to, as NYNEX commented, "ameliorate a part of the competitive disadvantage".⁶

SNET believes that LECs' initial price cap price structure was distorted by the current GSF rules. Rate of return LECs will be able to reflect the reallocation in their rates and "keep whole" because the change will be automatically reflected in the revenue requirements of the affected categories. Price Cap LECs should be afforded the same opportunity and should be allowed to modify their price cap indices and rates for all affected service baskets to reflect the GSF re-apportionment as this rule change would clearly be defined as a cost that is "triggered by administrative, legislative or judicial action beyond the control of the carriers."⁷

SNET expects that a GSF allocation correction, when flowed through to price changes, will decrease Special Access and Switched Access rates and increase Common Line rates.

III. ALTERNATIVE METHODOLOGIES ARE UNDESIRABLE, BUT SHOULD ISOLATE SUBSIDIES

The elimination of the Category 1.3 exclusion will provide an allocation which is more consistent with the current treatment of GSF costs in other applications (e.g., Universal Service Fund methodologies). However, should the Commission decide to retain some type of contribution charge to recover GSF costs instead of properly allocating the costs and allowing recovery in common line rates, SNET urges the Commission to insure that its competitiveness is not impaired by such a burden. Ideally, any such

⁶ Expanded Interconnection With Local Telephone Company Facilities, CC Docket No. 91-141, Emergency Petition For Waiver filed by New York Telephone Company and New England Telephone and Telegraph Company dated November 10, 1992 ("Emergency Petition").

⁷ Price Cap Order, 5 FCC Rcd at 6807.

contribution charge should be paid by all users of local access facilities (as the Commission implies in its Report and Order),⁸ through establishment of a separate "social subsidy" charge element. This would isolate the GSF subsidy and facilitate development of future changes to the access rate structure.

IV. SUMMARY

SNET believes that market forces should and will ultimately determine price changes. SNET recommends that its rates for competitive services not be burdened by social subsidies which the Commission rules have created, and that rates reflect underlying costs where the market allows.

In these comments, SNET 1) supports the Commission's proposal to eliminate the over-allocation of GSF expenses to special access; 2) urges the Commission to make this rule change coincident with the introduction of expanded interconnection; and 3) recommends that price cap LECs be allowed to reflect cost shifts in their access prices and price indices coincident with implementation of the change.

Respectfully Submitted,
THE SOUTHERN NEW ENGLAND
TELEPHONE COMPANY

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⁸ Report and Order, para.5.

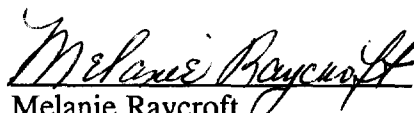
CERTIFICATE OF SERVICE

I, Melanie Raycroft, hereby certify that a copy of the foregoing Comments of The Southern New England Telephone Company, CC Docket No. 92-222, were hand-carried on this the 4th day of December, 1992, to those listed below.

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